

EXECUTIVE SECRETARIAT

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/ Executive Secretary
 4/24/83
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*Comm*NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

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February 24, 1983

MEMORANDUM FOR MR. DONALD P. GREGG
Assistant to the Vice President
for National Security AffairsMR. L. PAUL BREMER, III
Executive Secretary
Department of StateLT. COL. W. RICHARD HIGGINS
Assistant for Interagency Matters
Office of the Secretary of DefenseMR. ROGER CLEGG
Special Assistant to the Attorney General
Department of JusticeExecutive Secretary
Central Intelligence AgencyMS. JACKIE TILLMAN
Executive Assistant to the United States
Representative to the United Nations
Department of StateDR. ALTON KEEL
Associate Director for National Security
and International Affairs
Office of Management and BudgetCOL. GEORGE A. JOULWAN
Executive Assistant to the Chairman
Joint Chiefs of StaffSUBJECT: National Security Planning Group Meeting --
Additional Paper (S)

Attached is an additional paper for today's NSPG meeting. (S)

Michael O. Wheeler
Michael O. Wheeler
Staff SecretaryDCI
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February 22, 1983

Additional Funds to Support El Salvador's Military Forces

This paper identifies potential sources of funds for El Salvador, in addition to those presently budgeted, which can be converted into military financing for that country. It was prepared without advice from affected operating agencies. Thus, the recommended military financing requirement used in the National Security Planning Group (NSPG) paper (\$55-60 million) has not been reviewed in detail, nor has the feasibility of providing the proposed additional amounts been definitively confirmed.

These amounts of assistance are currently budgeted for El Salvador:

(\$ in millions)

	<u>1982</u> <u>Actual</u>	<u>1983</u> <u>Request</u>	<u>CR*</u>	<u>1984</u> <u>Budget</u>
Military Assistance (MAP)	8.5	25	8.5	55
DOD Stocks 506(a)	55	-	-	-
Foreign Military Sales Credit (FMSCR)	16.5	35	16.5	30
International Military Education Training (IMET)	2	1.3	1.3	1.3
Economic Support Fund (ESF)	115	105	140**	120
Development Aid (DA)	35.8	25	25.9	36
Food Aid (PL 480)	29.6	31.6	30	36.2
Total	262.4	222.9	222.2	278.5(U)

* Amounts available under the continuing resolution (CR) for FY 1983. No supplementals have been requested. (U)

** The amount above the 1983 level, \$35 million, constitutes a reprogramming under FY 1983 CR. The appropriations committees are challenging this Administration proposal. Formal reprogramming approval may be withheld. Reprogramming of an additional \$5 million ESF in FY 1982 passed by one vote in the House Appropriations Subcommittee. (U)

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Criteria

Two main criteria were established in identifying sources of funding:

- The congress must not be able to block the use of these funds.
- The funds either must be in the form of a direct foreign exchange input untied from any specific import use or must finance imports which El Salvador would normally make with its own funds. This is necessary to assure that foreign exchange will be freed for cash purchases of military equipment.

It is assumed that it will not be desirable to reprogram existing 1983 security assistance funds beyond those proposed for ESF. ~~If this is not the case, then such reprogramming along with Section 506 drawdown is probably the quickest and best way to meet El Salvador's needs.~~

The amounts shown below are funds which can be provided between now and the end of fiscal year 1983. In most, if not all, of the suggested cases an increment of similar size would be feasible in 1984.

<u>Option</u>	<u>Value (\$ millions)</u>	<u>Description</u>
CBI Regional	0-5	Presently unobligated amounts in a regional project already justified to the Congress under ESF could be used to generate foreign exchange savings. These funds must be obligated prior to March 31, 1983, and are presently being considered for use in Costa Rica, Jamaica and the Eastern Caribbean. Requires no congressional action or notification. (C)
PL 480 food aid	15-20	Would provide approximately \$15-20 million of financing for agricultural commodity imports into El Salvador. These would supplant commercial imports, thus freeing up foreign exchange. Congress must be notified after the action is taken, but there is no provision of law permitting their rejection of the plan. Domestic agricultural interests would probably support his action. (C)

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OptionValue (\$ in millions)Description

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**Section
451, FAA**

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The President is authorized to use up to \$10 million of funds in any fiscal year for emergency use. The funds would come from either the Disaster assistance or International Organizations and Programs accounts and would be added to the ESF account for commodity import type of balance-of-payments aid which would free up additional foreign exchange. (U) Requires prompt congressional notification. There is no provision for disapproval. Nevertheless, support for security assistance was not an intended purpose when this provision was written and Congress may subsequently retaliate. (C)

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<u>Options</u>	<u>Value (\$ in millions)</u>	<u>Description</u>
Dependable Undertakings	10-20	During the last 60 days of FY 1983, DOD could write sales contracts with payment due in FY 1984. Requires no congressional action or consent but increases the FY 1984 problem. (C)
Total	40-60	

There is a more straight-forward approach to the immediate problem. The Section 506(a) drawdown authority may be exercised by the President up to the value of \$75 million without congressional cooperation, but, the determination would be a public document and would generate a large amount of attention. Unless a clear emergency exists in El Salvador, the Congress could retaliate by repealing this provision as part of the 1984 authorization bill or some other measure. If this step is necessary, execution of a 506(a) determination early in the long projected congressional recess (July-August) would probably be best. Appropriations to repay the Department of Defense would be requested in the FY 1985 budget. (C).

If still additional amounts are needed, the more conventional approach, reprogramming and supplemental requests must be chosen. These options are very public and involve a high degree of congressional cooperation:

<u>Option</u>	<u>Value (\$ in millions)</u>	<u>Description</u>
Reprogramming	Unlimited	Although there would be political costs elsewhere in the world, there are sufficient resources available to finance foreseeable El Salvador requirements. Most probably the Foreign Military Sales Credit account would be tapped for this purpose. The "notify and wait" provision would provide the appropriation committees an opportunity to delay this action, which would be identical to the situation we now face regarding the additional \$35 million ESF. (U)

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<u>Options</u>	<u>Value (\$ in millions)</u>	<u>Description</u>
Supplemental	Unlimited	Asking the Congress for the additional funds may be a good tactic in conjunction with reprogramming. A supplemental alone would give the Congress the opportunity to cancel the program. (U)

25X1

Conclusions

Given present circumstances, it may be wise to cover the present \$60 million funding shortfall using some combination of low visibility minimal congressional involvement programs rather than make a 506 (a) determination. If additional military financing is needed later, the 506(a) option is the logical candidate. If a decision to gain time by funding from the first list of options is made, an interagency working group should be established to carefully assess the potential of this approach and monitor implementation. (S)

Embarking on para-military approach would be a major departure from the present situation with policy, political and bureaucratic problems; the NSPG paper clearly implies that an additional \$60-120 million in military aid in 1983 is not enough and that the contest can only be won through a time-consuming process of civilian and military institution building and leadership development. These elements are more characteristic of a program of para-military support than a program of overt military/economic aid. Beyond the current financial hurdle, the Administration needs to consider the para-military option in any event to carry out its strategy. The more covert approach may be more politically acceptable to Congress and the American people than a major increase in overt assistance and advisors. (S)

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SUSPENSE _____ Date _____

Remarks:

 Executive Secretary

Date

3637 (10-81)

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MEMORANDUMSECRET**NATIONAL SECURITY COUNCIL**SENSITIVE

February 23, 1983

Executive Registry

83-1040

MEMORANDUM FOR MR. DONALD P. GREGG
Assistant to the Vice President
for National Security Affairs

MR. L. PAUL BREMER, III
Executive Secretary
Department of State

LT. COL. W. RICHARD HIGGINS
Assistant for Interagency Matters
Office of the Secretary of Defense

MR. ROGER CLEGG
Special Assistant to the Attorney General
Department of Justice

Executive Secretary
Central Intelligence Agency

MS. JACKIE TILLMAN
Executive Assistant to the United States
Representative to the United Nations
Department of State

DR. ALTON KEEL
Associate Director for National Security
and International Affairs
Office of Management and Budget

COL. GEORGE A. JOULWAN
Executive Assistant to the Chairman
Joint Chiefs of Staff

SUBJECT: National Security Planning Group Meeting,
February 24, 1983, 3:00 - 4:00 P.M. in the
Situation Room (S)

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Attached are Tabs A through E that should be a part of the interagency memorandum on El Salvador that was transmitted on February 22. These attachments were inadvertently left off the memorandum. (S)

Michael O. Wheeler

Michael O. Wheeler
Staff Secretary

Attachment: (1)

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POSITIVE MEASURES IN THE NEXT THIRTY DAYS

- Improve US intel support
 - Detection Platforms
 - RF-4 in theater
 - Immediate dissemination of product
- Training
 - Org/manning/training of Bde/Dept staffs.
 - Initiate reorganization/training of Light Infantry Battalions (LIBS).
 - Fire support and close air support coordination procedures.
 - "Quick-fix" training in basic combat skills.
- Logistics
 - Helo/fixed wing maintenance support.
 - Maintenance staff assistance.
 - Aircraft parts--air deliver essential parts.
 - Ammo delivery--expedited.
 - Commo
 - Batteries, parts.
 - Repair equipment.
- Interdiction (with easing of War Powers restrictions).
 - Initiate air interdiction training.
 - Execution planning.

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Tab B

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Subject: Personnel Requirements for FY 84-88

- USSOUTHCOM HQ: +96
- Regional Liaison Elements: +36
- MILGPS: +55
- Communications: +60
- Intelligence: +248*
- Interdiction Operations: +152
 - Radar - 52
 - Airborne Platform AF - 35
 - Airborne Platform USN - 30
 - Combined HQ - 35
- Psyops Support: +27
- Components: +200**

TOTAL: 874

* Average number of personnel. Figures vary from 238 in FY 84 to 251 in FY 88.

** Requirements to support increased operational tempo and security functions not defined. Some functions performed by TDY/reserve training.

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Tab C
Pg.1

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Security Assistance Requirement

Subject: El Salvador Security Assistance Requirements

Security assistance is seriously underfunded. For FY 83, \$61.3 was requested; the Continuing Resolution provided only \$26M. The \$26M are now completely obligated. To sustain current military operations \$60M are required for the remainder of FY 1983. \$60M will permit training and equipping of small mobile battalions, extended out-of-country training, attainment of additional mobility and ammunition/arms support.

- Total 506(a) Request - \$60.0M

-- Materiel (\$51.0M)

--- Ammo	\$8.0M
--- Sustaining Support	9.0M
--- Personal Equipment	7.0M
--- Weapons	7.0M
--- Vehicles	9.0M
--- Commo Equipment	3.0M
--- Helos/CSP (4)	5.0M
--- Howitzers	3.0M

-- Training (\$9.0M)

--- Basic Combat Skills	4.0M
---- Light Inf Bns(10)	
---- Retrain Existing Units (6 Bns)	
--- Bde/Dept Staffs (14 HQ)	.8M
--- Recon Units (6)	1.2M

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Tab C
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--- Technical Training (Pilot, Maint, Commo, Fire Spt)	1.4M
--- Other (Log Command, Air Opns, IDAD...)	.4M
--- Quick Reaction Battalion	1.2M (+5.8 if in CONUS)

2. Venezuela, Honduras, Argentina and Guatemala have offered to provide training to El Salvador, but additional US funding will be required to arm and equip the newly-trained units. We should provide the economic resources, and request other Latin American countries to provide training personnel and advisors. A combination of US dollars and Latin American trainers/advisors will be less expensive economically as well as politically. (If off-shore acquisition is required, approval will be requested under Section 42C of the Arms Export Control Act.) Combat flying operations (helicopter and A-37) have over-committed El Salvador's limited maintenance capability. A civilian contractor maintenance facility, manned by either US or third-country nations, could solve the problem. With 30 helicopters, the Salvadorans could more fully exploit the quick reaction battalions, facilitate the insertion of long-range reconnaissance patrols and other small, quick-striking units. Small unit training in Panama or Honduras, OCS/NCO training in either Panama or the US and additional pilot training by Honduras is possible with additional funding. Additional patrol craft and overall enhancement of the Salvadoran Navy would restrict the guerrillas water-borne resupply capability. If an additional \$100M is made available then the enhanced training/material/civic action package listed below can also be funded.

- Aircraft/CSP	
-- UH-1H (8)	\$10.0M
-- A37B (6)	12.0M
-- O2A (4)	1.0M
-- C123K (2)	.5M
- Vehicles	6.0M
- Training	12.0M

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- Radar	4.0M
- Medical Equipment	16.0M
- Howitzers	4.0M
- Civic Action	10.0M
- Personal/Unit Equipmet	3.0M
- Engineer Equipment	9.0M
- Patrol Boats (20)	2.7M
- Bailey Bridges (4)	<u>.5M</u>
Sub-Total	90.7M
+ Trans Charges	<u>16.0M</u>
Total:	106.7M

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SECRETTab D
Pg 1Improved Sugar Quotas for Central AmericaProposal:

Increase the sugar quotas of the six friendly Central American countries up to 75% of the level of their recent shipments. We would give the three front-line countries (El Salvador, Honduras and Costa Rica) 75% of their peak year during the 1979-81 period, while the remaining three (Guatemala, Panama and Belize) would get 75% of their annual average during this period. This would require about 130,000 short tons, of which roughly 100,000 would come from an increase in the overall quota and 30,000 from a reduction in Nicaragua's quota. Country distribution and revenue effects of these changes are in Table 1.

Alternatively, we could increase these quotas up to 90% of 1979-81 shipments (on the same basis of peak year for the three front-line countries, and annual average for the other three). This would require about 234,000 short tons, of which 200,000 would come from an increase in the overall quota and 34,000 from the reduction in Nicaragua's quota.

The increase would come into effect on October 1, 1983, when the new US global quota for FY 1984 will become effective. Market factors in the US are likely (but not certain) to be such that the global quota would be increased by 100,000 or 200,000 short tons above that for FY 1983. In that case we would reserve the increase in the FY 1984 quota (100,000 or 200,000 tons as available) to add to the quotas of the friendly Central American countries. Nicaragua's present quota (58,800 short tons) would be cut by about half, and the freed amount would be distributed among the other Central Americans.

If US market factors for the FY 1984 quota are such that there cannot be any increase in the overall quota, then the quotas of all other sugar exporters would be reduced proportionately to free up 100,000 short tons. (The first alternative could be pursued in this case but the second would likely be impractical.)

Discussion

The proposal could be supported as a response to (a) the high degree of dependency on the U.S. sugar market of Central American exporters, and (b) our national security interests. In 1979-81 seven countries had shipments to the US which represented more than 90% of their total sugar exports; five of

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these were friendly Central American countries: El Salvador, Honduras, Panama (all at 100%); Costa Rica (96%); and Guatemala (92%). (The sixth "target" country -- Belize -- shipped to the US only 58% of its total sugar exports.) The list of the top seven, however, also includes Ecuador (98%) and Nicaragua (94%).

Ecuador could be excluded from consideration on the basis that it has insufficient domestic sugar production to fill its existing quota and satisfy domestic demand; it has been buying sugar on the world market. We have been unable to find any similar special factor for excluding Nicaragua from a dependency-type argument. The best available rationale for Nicaragua's exclusion might be Article XXI of the GATT, which permits countries to take actions they consider necessary for the protection of "essential security interests" under certain specified conditions. We would also justify the increase for Belize on this basis.

Selective quota increases would also have foreign policy repercussions. There would be strong objections from other sugar exporters, particularly since excluded exporters would experience significant losses either directly or indirectly. (Estimated losses for the major suppliers are at Table 2.) The countries most affected would include some important friends -- Dominican Republic, Brazil, Philippines, Australia, Peru and Colombia among others. The Dominican Republic, would see this as contrary to the President's commitment to the Caribbean Basin as a whole. Brazil would be particularly upset at the lack of comparable action for its benefit, given the President's commitment during his Brazilian visit to reconsider Brazil's sugar quota. These and other countries would likely perceive the action as politicizing the quota program to reflect the Administration's immediate political needs.

US importers and refiners would also be affected, in some cases significantly, since many traders have entered into long-term contracts based on the present quota distribution.

Careful preparation and consultation prior to any action could help alleviate some of the above effects. More importantly, if the quota increases for Central America were combined with a reduction in the US tariff for all suppliers (from its present legal maximum of 2.8¢/lb.), the resulting increased revenues (see Table 3) for three of the four major suppliers (Brazil, Philippines and Australia) would mitigate their adverse reactions. The Dominican Republic will be completely exempt from duty after the Caribbean Basin legislation is passed. The tariff reductions would have no effect on other suppliers, which are not now (or will not be as of April 1, 1983) required to pay duty because of GSP.

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Pg 3Legal Position

Because of these adverse effects, we could expect some legal risk from challenges in US courts and a more substantial legal risk from challenges in the GATT and the International Sugar Organization. The President has domestic authority to adjust sugar quotas and duties, if it is determined that the action will give due consideration to the interests in the United States sugar market of domestic producers and materially affected contracting parties to GATT. (Nicaragua, Ecuador and the other major excluded suppliers are all GATT members.) The domestic statutory standard is general and gives the Secretary discretion to argue that the action is giving due consideration overall to the interests of GATT parties. Nevertheless a counter argument could be made that an action which reduces sugar quotas of GATT members (and particularly the significant reduction for Nicaragua) is inconsistent with the President's domestic authority.

Internationally, we could invoke the broad GATT Article XXI security exception, though we have endeavored to avoid invoking it in the past to prevent its abuse by others. To avoid the risk of having to compensate other GATT members with sugar exports to the U.S., including Nicaragua, we would have to convince a GATT majority that we are faced with a national security emergency. The argument that "dependency on the US market" is a special factor under GATT would contribute to our legal rationale, but would represent a novel construction of this concept -- which has traditionally been limited to rapid changes in production and exportation capability. If accepted by GATT, others might make more use of it in the future than the US, which is generally not dependent on single markets in individual export lines. In addition, our action might be challenged under Article 58 of the International Sugar Agreement, which obligates us to ensure access to our market for sugar imports from ISA members (which include Nicaragua). Assuming that Nicaragua retains some quota, we would argue that we had not denied access. It is unlikely that the US would be subject to sanctions (suspension of rights, exclusion) under the Sugar Agreement.

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Table 1A

Proposed Quota Increases for Central America Countries
(100,000 Ton Total)

	75% of 1979-81 shipments		FY 1983 Quota	Proposed Increase	
	<u>Peak</u>	<u>Average</u>	<u>Quota</u>	(thous. ST)	(Million \$)
	(thous ST)	(thous ST)	(thous ST)		
El Salvador	103		73	+30	+\$ 8.2
Honduras	66		28	+38	+\$10.4
Costa Rica	55		42	+13	+\$ 3.6
Guatemala		145	134	+11	+\$ 3.0
Panama		107	81	+26	+\$ 7.1
Belize		43	31	+12	+\$ 3.3
<u>TOTAL</u>	<u>519</u>		<u>389</u>	<u>+130</u>	<u>+\$35.6</u>
Nicaragua		84	59	-30	-\$ 8.2

Value calculated as difference between US and world price, adjusted for transport. (Specifically: US price of 21.9¢/lb., less 1.5¢/lb. for transport equals 20.4¢/lb., less world prices of 6.7¢/lb., which is equivalent to \$274/ST.

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Table 1B

Proposed Quota Increases for Central American Countries
(200,000 Ton Total)

	90% of 1979-81 shipments			
	Peak (thous ST)	Average (thous ST)	FY 1983 Quota (thous ST)	Proposed Increase (thous. ST) (Million \$)
El Salvador	124		73	+51 +\$14.0
Honduras	79		28	+51 +\$14.0
Costa Rica	66		42	+24 +\$ 6.6
Guatemala		174	134	+40 +\$11.0
Panama		129	81	+48 +\$13.2
Belize		51	31	+20 +\$ 5.5
<u>TOTAL</u>	<u>623</u>		<u>389</u>	<u>+234</u> <u>+\$64.1</u>
Nicaragua		84	59	-34 -\$ 9.3

Value calculated as in Table 1A.

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Table 2

Losses of Major Exporters Excluded from Quota Increases

	Quota Share (%)	Total Central American Quota Increases of			
		200 thous. st (thous. st)	(million \$)	100 thous. st (thous. st)	(million \$)
Dominican Republic 2)	17.6	35	\$9.6	18	\$4.9
Brazil 1)	14.5	19	\$4.1	15	\$3.3
Philippines 1)	13.5	27	\$5.9	14	\$3.1
Australia 1)	8.3	17	\$3.7	8	\$1.7
Argentina 2)	4.3	9	\$2.5	4	\$1.1
Peru 2)	4.1	8	\$2.2	4	\$1.1
Colombia 2)	2.4	5	\$1.4	2	\$0.5

1. For non-GSP beneficiaries, the value of the US sugar quota is \$218/ST (US price, less transport & duty, less the world price).
2. For GSP beneficiaries, the value of the US sugar quota is \$274/ton (US price, less transport, less the world price). We assume that the Caribbean Basin Initiative legislation will be passed and therefore the Dominican Republic will have duty treatment equivalent to that of GSP.

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Table 3

Effects of Maximum Tariff Reduction*

	FY 1983 Quota (thous. st)	Revenue Gains (Million \$)
Brazil	406.0	\$17.8
Philippines	378.0	\$16.5
Australia	232.4	\$10.2
<u>Total</u>		<u>\$44.5</u>

* From 2.8125¢/lb. to 0.625¢/lb. -- equivalent to a gain of \$43.75 per ST if the entire tariff reduction is captured by the exporter. This assumes that the Caribbean Basin Initiative legislation will be passed and therefore the Dominican Republic will not be required to pay any duty.

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TAB E

SECRETINCREASE IN ECONOMIC ASSISTANCE

Economic assistance to El Salvador in FY 1983 is presently planned at \$200 million. Of this, \$140 million in Economic Support Funds will provide \$127 million in balance of payments support, \$11 million for restoration of power transmission and generation interrupted by guerrillas, and \$2 million for operations of the American Institute for Labor Development. The PL 480 program is providing \$30 million in commodities, and \$30 million in development assistance is primarily aimed at the agricultural sector with \$15 million to be utilized for agricultural credits, mostly to the cooperatives which operate farms reorganized under Phase I of the land reform. This level of assistance, considered essential to prevent further contraction of the Salvadoran economy, still falls short of meeting critical needs.

Initially, we propose to seek an increase of \$27 million, composed of \$9 million in PL 480 and \$18 million in development assistance.

The Salvadorans have formally requested a \$9.1 million increase in PL 480. This would be composed of \$3.5 million in rice and \$5.6 million in corn which are needed primarily as a result of the devastating floods late last year. This quantity can be provided out of the approximately \$40 million remaining in the PL 480 reserve.

At least \$9 million in development assistance from the health account could be utilized immediately from health money now available for Latin American programs. Medicines are in desperate need and hospitals have long outstanding and unmet claims on the limited availability of foreign exchange. An additional \$6 million in agricultural credit would insure adequate plantings this year and the timely provision of fertilizers and other inputs. Approximately \$3 million needs to be made available for restoration of public services destroyed by guerrilla activities aimed at destruction of the economic infrastructure.

February 21, 1983

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